Before The
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of:

Developing a Unified Intercarrier Compensation Regime	)))	CC Docket No. 01-92
Missoula Intercarrier Compensation Plan	))	DA 06-1510

<u>COMMENTS OF</u>
<u>TRI COUNTY TELEPHONE ASSOCIATION</u>

The Tri County Telephone Association, Inc. and its subsidiary, TCT WEST, Inc., (the "Companies") hereby respectfully submits comments in response to the Public Notice *(Comment Sought On Missoula Intercarrier Compensation Reform Plan),* CC Docket No. 01-92, DA 06-1510, released July 25, 2006. In the Public Notice the Commission sought comment on an intercarrier compensation reform plan commonly referred to as the "Missoula Plan" filed July 24, 2006 by the National Association of Regulatory Utility Commissioners' Task Force on Intercarrier Compensation. The Companies appreciate the opportunity to comment with the intent of providing constructive input to the continuing dialogue surrounding this very complex subject.

Tri County Telephone Association and TCT WEST serve an area covering over 4,600 square miles in the Bighorn Basin of north central

Wyoming and provide telecommunications services to 6,200 customers. The companies provide local exchange, long distance, dial-up Internet, broadband Internet, video and VoIP services. All customers within the service area have access to a minimum of 1 megabit bi-directional Internet service regardless of their distance from the serving central office.

Further, the Companies provide wireless broadband Internet services in the neighboring communities of Powell and Cody Wyoming as well communities in south central Montana.

The Companies recognize the need for intercarrier compensation reform and commend the dedicated efforts of those who have worked so diligently on such a mechanism. The Companies appreciate proposals to address phantom traffic, and share others' concerns that the FCC lacks jurisdiction to set intrastate access rates. The Missoula plan should not be supported, however, for the reasons stated below.

THE RESTRUCTURE MECHANISM IS ILL-CONCEIVED

The Missoula plan calls for a "Restructure Mechanism" that provides intrastate access charge revenue replacement for those rural companies that continue to have a revenue shortfall subsequent to the reduction of intrastate access charges and the imposition of increased Subscriber Line Charge type charges.

This condition usually results from the absence of adequate rate rebalancing which is a very necessary component in meeting the cost based pricing requirements of a competitive environment. The end result is a below cost local service rate supported by high access charges.

The first concern of the Companies is that the estimated $1.5 billion dollar Restructure Mechanism cost is to be recovered via a Universal Service Fund like assessment applied to each numbered line throughout the nation. An assessment mechanism is appropriate in situations like Universal Service Support in that the remitting consumer benefits from the policy of universal service; that is, they can communicate with nearly everyone in the nation without respect to the related costs. This capability and the attendant economic and social well-being of the nation as a whole is considered an acceptable justification for the assessment.

Rather, the Restructure Mechanism is a universally imposed assessment that does not accordingly benefit the majority of those assessed. It is a subsidy for below cost local rates. To ask consumers nationwide to provide an additional form of subsidy, equal to more than incumbent high cost loop fund support receipts is a totally inappropriate application of a universally applied assessment mechanism.

<u>**THE RESTRUCTURE MECHANISM IS PUNITIVE**</u>

In 1997, The Companies filed a rate case before the State of Wyoming Public Service Commission pursuant to requirements of the Wyoming Telecommunications Act of 1995. The Wyoming Telecommunications Act *required* intrastate rate rebalancing based on Total Service Long Run

Incremental Costs (TSLRIC).[1] The case resulted in local exchange service rates ranging from $27.31 to $45.08, the elimination of intrastate Carrier Common Line access, and a Traffic Sensitive access rate of $.0154 cents per minute.

By statute, no customer pays more than 130% of the statewide average rate or approximately $32.54 with the balance offset by universal support mechanisms which Wyoming provides to the extent federal universal service support is inadequate.[2] The Companies receive no Wyoming support as a result of its receipt of federal Universal Service support.

The Companies' second concern involves the application of the Restructure Mechanism assessment to those consumers of rate rebalanced companies. More specifically, some rural incumbent companies across the nation have rebalanced local and intrastate access charges in a significant manner. Such is the case with Tri County Telephone and TCT WEST. Due to the averaging requirements applicable to long distance carrier rates, however, these consumers receive no benefit from the low access charges yet their local service charge is nearly three times the nationwide average rural rate.

For these consumers the Restructure Mechanism assessment can only be viewed as an additional penalty. Firms that rebalanced rates – consistent with the principle espoused by the Missoula plan though prior to its

[1] WY § 37-15-402.
[2] WY § 37-15-501(d).

formulation – would now be asked to support firms that chose not to so rebalance. These prescient firms' action to alleviate access charge imbalances is effectively punished.

The "Early Adopter" Fund is intended to provide some sort of relief for the problem of those who have already rate rebalanced. Unfortunately, the plan is not clearly defined. For example, there is some suggestion that the Fund might be used to lower or replace state universal support mechanisms. How that might result in lower local rates is not known nor does there appear to be any requirement that the Fund's disbursement be used in the manner suggested. Further, the Companies do not receive state support by virtue of their receipt of federal universal service support as required by Wyoming statute.

SUPPORT OF A DYING INDUSTRY SEGMENT IS NOT APPROPRIATE

Over the years, the access charge element of an incumbent local exchange carrier's rate structure has been fading away. First, public policy decisions have reduced the impact; all carrier common line charges have been eliminated (albeit propped up by ICLS compensation), Subscriber Line Charges have resulted in lower rates and Traffic Sensitive rates are at an all time low. Second, competition, particularly from wireless providers, has significantly reduced access minutes. Finally, technology in several forms has resulted in further access minute erosion. The demise of the old AT&T and MCI demonstrate clearly the changes facing the traditional long distance industry and, accordingly, changes in the structure and importance of this segment of the local exchange carrier industry's revenue stream.

Normally, in the competitive environment that characterizes a free market economy, when demand for a product is diminished due to advances in technology and competition generated changes, alternate sources of revenue must be found or the complexion of the entity changed. Given the direction of policy toward competition, these changes must be allowed to happen, not a "propping up" of the fading segment. Rural local exchange service providers (like Tri County Telephone and TCT WEST) must search for, construct and provide new services that maximize revenues from existing network capacities and take advantage of new technologies. To not do so only perpetuates the past and delays the benefits of competition and technology to the rural consumer. It also "drags down" the rural companies that are moving ahead and creating significant inequities between and among existing companies.

THE RESTRUCTURE MECHANISM SHOULD NOT BE EXTENDED TO COMPETITIVE LOCAL EXCHANGE CARRIERS

The plan proposes the extension of the Restructure Mechanism benefits to Competitive Local Exchange Companies. Simply stated, this makes no sense and appears to be nothing more than an extension of support in a theoretical situation that few, if any CLECs are in anyhow. It is remarkably similar to providing portable USF to wireless providers that were operating successfully in an incumbent's territory before they obtained ETC status.

CONCLUSION

For the reasons stated above, the Companies do not support the plan as presented but due support the need for intercompany compensation reform. The Companies also stand ready to help as the process moves forward.

Respectfully submitted,

By: ___________________________

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